

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 102454
ORIGIN EUR-12

INFO OCT-01 ISO-00 H-01 TRSE-00 DODE-00 SSO-00 NSCE-00
USIE-00 INRE-00 CIAE-00 PM-04 INR-07 L-03 ACDA-07
NSAE-00 PA-01 SS-15 PRS-01 SP-02 /054 R

DRAFTED BY EUR/RPM:PCOLLINS
APPROVED BY EUR:RDVINE
H:KFOLGER
EUR/CE:RCASAGRANDE
EUR/RPM:HAHOLMES
TREASURY:GNENSEL
OSD/ISA:LTC. EILAND

-----051835Z 021373 /43

O R 051820Z MAY 77
FM SECSTATE WASHDC
TO USMISSION NATO IMMEDIATE
INFO AMEMBASSY BONN

LIMITED OFFICIAL USE STATE 102454

E.O. 11652: N/A

TAGS: MARR, NATO, GW

SUBJECT: PROPOSED RESPONSE TO SENATOR PERCY'S QUESTIONS
ON US-FRG OFFSET ARRANGEMENTS

1. DURING AMBASSADOR BENNETT'S SENATE FOREIGN RELATIONS
COMMITTEE CONFIRMATION HEARING ON APRIL 21, SENATOR
PERCY RAISED THE ISSUE OF OFFSETTING BOP LOSSES OF NATO
MEMBERS AS A RESULT OF DEFENSE COMMITMENTS. AMBASSADOR
BENNETT PROMISED TO PROVIDE THE SENATOR THE INFORMATION
HE REQUESTED. FOLLOWING IS TEXT OF SENATOR'S QUESTION
AND ANSWER WE PROPOSE TO SEND TO SFRC FOR INSERTION IN
THE RECORD.(A DIRECT RESPONSE TO PERCY BY AMBASSADOR
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 102454

BENNETT IS NOT REQUIRED. COMMITTEE STAFF WILL SEND COPY
OF RESPONSE TO SENATOR.) WE REQUEST AMBASSADOR BENNETT'S
CONCURRENCE/COMMENTS BY "IMMEDIATE" RETURN CABLE.

2. SENATOR PERCY'S QUESTION. BEGIN TEXT. THANK YOU.
THE LAST QUESTION THAT I HAVE REALLY GOES BACK TO THE TIME
THAT I SERVED AS BALANCE OF PAYMENTS SUBCOMMITTEE CHAIRMAN

FOR THE NORTH ATLANTIC ASSEMBLY PARLIAMENTARY GROUP. I WAS DEEPLY CONCERNED ABOUT THE IMBALANCE IN PAYMENTS, THE DEFICIT WE HAD AS A RESULT OF PAYING FOR TROOPS OVER THERE. AT THAT TIME I SUGGESTED THAT WE ESTABLISH A CLEARING HOUSE FOR IDENTIFYING THE BALANCE OF PAYMENTS GAINS OR LOSSES OF

EACH NATO MEMBER AS A RESULT OF ITS COMMITMENTS, AND THAT THERE SHOULD BE NO DEFICIT AS A RESULT OF A COMMITMENT TO A COMMON DEFENSE STRATEGY.

I HAVE NOT HEARD TOO MUCH ABOUT THAT PROBLEM LATELY. IS IT STILL A PROBLEM, OR HAS IT BEEN RESOLVED? ARE AGREEMENTS WITH THE GERMAN GOVERNMENT ADEQUATE TO PROTECT OUR INTERESTS IN THAT AREA? END TEXT.

3. PROPOSED RESPONSE - BEGIN TEXT. THE LAST OF A SERIES OF TWO-YEAR US-FRG OFFSET AGREEMENTS, DATING BACK TO THE EARLY 1960'S, EXPIRED ON JUNE 30, 1975. THIS AGREEMENT ENABLED PRESIDENT FORD TO REPORT TO THE CONGRESS ON MAY 27, 1975, AS REQUIRED BY THE JACKSON-NUNN AMENDMENT TO THE 1974 DEFENSE PROCUREMENT ACT, THAT THE ALLIES HAD FULLY OFFSET THE FISCAL YEAR 1974 BOP COSTS OF US TROOPS IN EUROPE.

ON JULY 17, 1976, PRESIDENT FORD AND CHANCELLOR SCHMIDT AT THE CONCLUSION OF THE CHANCELLOR'S VISIT TO WASHINGTON, JOINTLY DECLARED THAT THE TRADITIONAL OFFSET ARRANGEMENTS APPROACH HAD LOST ITS RELEVANCE, GIVEN RECENT CHANGES IN THE INTERNATIONAL MONETARY AREA. AT THE SAME TIME, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 102454

CHANCELLOR SCHMIDT COMMITTED HIS GOVERNMENT TO SHARE, WITH A SINGLE PAYMENT OF 68.48 MILLION DOLLARS, THE COST OF RELOCATING A U.S. COMBAT BRIGADE TO NORTHERN GERMANY. THIS RELOCATION WILL SUBSTANTIALLY IMPROVE NATO'S DEFENSE IN THIS AREA. FURTHER, THE CHANCELLOR INDICATED THAT THE FEDERAL REPUBLIC INTENDED TO CONTINUE HIGH LEVELS OF MILITARY PROCUREMENT FROM THE U.S., A MAJOR COMPONENT OF OFFSET AGREEMENTS IN THE PAST. FINALLY, THE TWO LEADERS AGREED THAT THE FEDERAL REPUBLIC IN THE PAST HAD MAINTAINED ITS FORCES IN A STATE OF COMBAT READINESS COMMENSURATE WITH ITS ROLE IN NATO AND CHANCELLOR SCHMIDT DECLARED HIS INTENT TO CONTINUE THIS LEVEL OF COMMITMENT.

WE BELIEVE THERE ARE DEFINITE DISADVANTAGES TO EVALUATING DEFENSE BURDEN-SHARING AMONG NATO ALLIES ON THE BASIS OF TRADITIONAL BOP CRITERIA. FIRST, THIS KIND OF APPROACH DOES NOT TAKE ACCOUNT OF SIGNIFICANT CHANGES IN THE INTERNATIONAL MONETARY SYSTEM, SPECIFICALLY THE SHIFT FROM FIXED TO FLEXIBLE EXCHANGE RATES. SECOND, AND MORE

IMPORTANTLY, OFFSET ARRANGEMENTS DEVELOPED IN THE POST
WORLD WAR II PERIOD ARE INCONSISTENT WITH THE MORE EQUAL
PARTNERSHIP WE HAVE TRIED TO DEVELOP WITH OUR ALLIES IN

RECENT YEARS. WE BELIEVE WE SHOULD TAKE A BROADER AND
POTENTIALLY MORE EFFECTIVE APPROACH TO BURDEN-SHARING
BY ENCOURAGING OUR ALLIES TO STRENGTHEN THE DEFENSIVE
CAPABILITY OF THEIR FORCES AS THESE CONTRIBUTE TO NATO'S
DEFENSE, RATHER THAN BY ASKING THEM TO DEFRAID U.S.
BALANCE OF PAYMENTS COSTS.

THE PRESIDENT HAS ARTICULATED HIS SOLID COMMITMENT TO
NATO AND TO THE IMPROVEMENT OF ITS DEFENSIVE CAPABILITY.
AT THE SAME TIME, AS THE VICE PRESIDENT TOLD THE NORTH
ATLANTIC COUNCIL LAST JANUARY, THE ADMINISTRATION IS ALSO
CONVINCED THAT THE NEEDED IMPROVEMENTS CANNOT AND SHOULD
NOT BE MADE BY THE U.S. ALONE -- THE OTHER ALLIES MUST
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 102454

DO THEIR SHARE AS WELL, TO THE LIMIT OF THEIR ABILITIES.
THIS WILL BE A MAJOR THEME IN OUR CONSULTATIONS WITH OUR
ALLIES IN THE MONTHS AHEAD AS WE WORK TOGETHER TO IMPROVE
NATO'S DEFENSE POSTURE. END TEXT.

CHRISTOPHER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: US CONGRESSIONAL PRESENTATIONS, COLLECTIVE SECURITY AGREEMENTS, TROOP CONCENTRATION, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 05-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE102454
Document Source: CORE
Document Unique ID: 00
Drafter: PCOLLINS
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770158-0433
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770589/aaaacytm.tel
Line Count: 145
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9662179a-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 16-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2626227
Secure: OPEN
Status: NATIVE
Subject: PROPOSED RESPONSE TO SENATOR PERCY'S QUESTIONS ON US-FRG OFFSET ARRANGEMENTS
TAGS: MARR, GE, US, NATO, (PERCY, CHARLES)
To: NATO BRUSSELS
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/9662179a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009